

Message Text

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15

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-15 STR-08 CEA-02 L-03 H-03 PA-03 PRS-01 USIA-15

DRC-01 /184 W

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P R 211030Z SEP 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 904

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BURSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY NAIROBI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

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E.9. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY AND FRB

NAIROBI FOR UNDERSECRETARY VOLCKER

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1. SUMMARY: ALTHOUGH LIRA LESS AFFECTED BY PRESENT

EXCHANGE TURBULENCE THAN SOME OTHER EC CURRENCIES BOI HAS AGAIN BEGUN INTERVENING IN SUPPORT OF LIRA. PRELIMINARY AUGUST BALANCE OF PAYMENTS DATA SHOW SURPLUS OF \$897 MILLION MAINLY DUE TO SOME PROCEEDS FROM ENEL LOAN. ALTHOUGH NO SEPTEMBER DATA AVAILABLE, BALANCE OF PAYMENTS MAY ALSO BE IN SURPLUS DUE TO EXPECTED RECEIPTS FROM CITY OF VENICE LOAN OF \$500 MILLION. END SUMMARY.

2. DURING MEETING WITH BOI CENTRAL DIRECTOR FOR EXCHANGE OPERATIONS, ERCOLANI, SEPTEMBER 20, LATTER ACKNOWLEDGED THAT BOI HAS AGAIN HAD TO INTERVENE IN SUPPORT OF LIRA DURING SEPTEMBER WITH INTERVENTION OF FAIRLY SUBSTANTIAL SCALE DURING PRESENT DM/FF CRISIS. THIS REFLECTS CONTINUED INTENT OF BOI TO MAINTAIN CERTAIN INFORMAL RELATIONSHIPS WITH EC SNAKE, WHICH NOW BEING PULLED UP BY STRENGTH OF DM.

3. ON SEPTEMBER 20, 24 ORE WEIGHTED AVERAGE DEVALUATION OF LIRA AGAINST OTHER CURRENCIES SINCE SECOND DOLLAR DEVALUATION WAS 12.17 PERCENT. THIS COMPARED WITH RATHER CONSISTENT AVERAGE DEVALUATION DURING PAST MONTH OF ONLY ABOUT 11 PERCENT BUT IS STILL CONSIDERABLY LESS THAN MAXIMUM OF ALMOST 22 PERCENT REACHED IN JUNE. NATIONAL AVERAGE COMMERCIAL LIRA RATE SEPTEMBER 20 WAS BORROWINGS IN FORM OF EUROMARKET LOANS BY STATE ENTITIES OF \$2,632 MILLION AND OF NET SHORT-TERM BORROWINGS BY COMMERCIAL BANKS OF \$248 MILLION WOULD HAVE BEEN \$3,168 MILLION.

5. ERCOLANI INDICATED THAT PROCEEDS FROM PLANNED LOAN TO CITY OF VENICE BY U.S. UNDERWRITERS HEADED BY LEHMAN BROTHERS OF ABOUT \$500 MILLION WOULD BE RECEIVED BY BOI BEFORE END OF SEPTEMBER. UNLESS BOI INTERVENTION IS LARGER THAN NOW APPEARS LIKELY THERE SHOULD BE OVERALL SURPLUS IN SEPTEMBER. ERCOLANI ALSO INDICATED THAT REPAYMENT OF BOI BORROWINGS FROM EC CENTRAL BANKS ARISING EARLY IN 1973 WHILE LIRA WAS STILL IN SNAKE HAD BEEN EXTENDED BEYOND THEIR AUGUST MATURITY, APPARENTLY FOR INDEFINITE PERIOD AT LEAST AS REGARDS \$354 MILLION STILL DUE TO BELGIAN NATIONAL BANK AS OF LIMITED OFFICIAL USE

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END OF AUGUST. VOLPE

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Message Attributes

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